

Atlas Corporation
353 Nassau Street
Princeton, N. J. 08540

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JUN 16 1986

DIVISION OF
OIL, GAS & MINING

EDWARD R. FARLEY JR.
CHAIRMAN OF THE BOARD
AND
PRESIDENT

June 6, 1986

mine file:

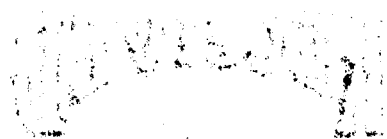
cc Lowell Branton
Pam G. L.
Dianne R. Nickerson

Mr. R. Dale Smith, Director
Uranium Recovery Field Office
Region IV
U.S. Nuclear Regulatory Commission
Box 25325
Denver, Colorado 80225

Dear Mr. Smith:

I acknowledge receipt of your May 29, 1986 letter to Atlas Corporation, my attention, concerning the proposed surety agreement situation referred to therein. I want to make the following comments on your letter, which comments I hope to give to you by telephone today if we can find a time when neither of us is on another call:

1. Referring to me and to the three-way telephone conversation held about two weeks ago among Mr. William L. Brown, Ramsay D. Potts, Esq. and me, you state in your letter that I "also indicated at that time that Atlas was not prepared to offer anything else to comply with financial surety requirements." I have no recollection of having indicated any such thing to Mr. Brown or to you or to anyone else at that time or at any time. I have checked with Mr. Potts, and he has no recollection of my so indicating in that telephone conversation. Finally, I am certain that I never gave such an indication in that telephone conversation or at any other time to anyone. Such was not my position then, and it is not my position now.
2. In your letter you state that in that conversation "the suggestion was made that perhaps Atlas could pledge some mining property or a contaminated mill as surety". In stating that Atlas would be willing to give to the NRC a lien on our Moab uranium and vanadium processing mill as such surety I did not use the word "contaminated" in referring to that mill. We regard that mill as a very valuable asset, and particularly so in view of very recent events, but I do understand that that mill may not be acceptable to you as such surety because when Atlas shuts down permanently its Moab, Utah operations, the tailings pile will have to be stabilized and that mill will have to be decontaminated. However, I also said that Atlas would be willing to give to NRC to constitute such surety a lien on our so-called "Farley" uranium properties located in Utah not too far from Lake Powell and, specifically, not too far from the



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Bullfrog Marina area of Lake Powell. This property is just not "any" mining property. It is a very valuable mining property, and I do not believe that you or your people have focused objectively on what Atlas is offering to you in this regard and what its value is. That property contains approximately 22,000,000 pounds of U308 of very good grade and approximately 35,000,000 of V205. The market for V205 is currently quite good. These ore reserves are based on the drilling of approximately 2,000 holes. These reserves have been calculated for Atlas independently by the well-known and well-recognized geological firm of Pincock, Allen & Holt, which is based in Tucson, Arizona. Our best current estimate at the moment is that it is very possible that the U308 contained in these reserves could be produced at a cost of something under \$17.50 per pound. If one simply assumes that the value of this U308 is \$1.00 and the value of the V205 is 12½¢ per pound, Atlas is offering to NRC as such surety a property with a value of \$27,000,000 or \$28,000,000. I do not believe that you and your people understand this.

3. Atlas is willing to describe for you all of its assets with a view to the possibility of your telling us which of those assets NRC is willing to accept as such surety. I really do not know how we can be more fair than this.
4. In view of your letter and all I have set forth above, I believe that it is in order for the appropriate representatives of NRC and Atlas to have another meeting to discuss this whole situation, including the particulars of what I have set forth above. If you believe that there is merit in this suggestion, I would be grateful if you would communicate that to me at your early convenience so that we might make appropriate arrangements to have such a meeting.

I hope that all of the above is clear. If it is not, please call me. Meanwhile, I send to you my kind personal regards.

Sincerely,

Edward R. Farley, Jr. /pmh

ERF/pmh

cc Ramsay D. Potts, Esquire
James A. Holtkamp, Esquire
Mr. Kenneth E. May